



WHEN THE SUN RISES
WE WORK HARD TO DELIVER

Mpumalanga **2015** *Provincial Budget Speech*

By Mr Sikhumbuzo Kholwane
MEC for Finance, Economic Development and Tourism

17 March 2015

Together We Move South Africa forward



finance
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



Mpumalanga 2015 Budget Speech

Title: Mpumalanga Provincial Budget Speech for 2015/2016
PR : 77/2015
ISBN : 978-0-621-43457-6

Mpumalanga 2015 Budget Speech

SPEECH BY THE HONOURABLE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, HON. SE KHOLWANE (MPL) DURING THE OCCASION OF THE TABLING OF THE PROVINCIAL BUDGET FOR THE 2015/16 FINANCIAL YEAR AT THE MPUMALANGA PROVINCIAL LEGISLATURE, MBOMBELA

17 March 2015

Honourable Speaker and Deputy Speaker
Honourable Premier, Mr DD Mabuza
Honourable Members of the Executive Council
Honourable Members of the Provincial Legislature
Executive Mayors and Members of the Mayoral Committees for Finance and Local Economic Development
Chairperson of the House of Traditional Leaders, Kgoshi ML Mokoena
Director-General, Dr Nonhlanhla Mkhize
Head of Department of Finance, Ms Nombedesho Nkamba and other Heads of Department
Chairpersons of Boards and Chief Executive Officers of the Public Entities
Business Executive of the Office of Auditor-General in Mpumalanga
ANC Provincial Secretary, Comrade Lucky Ndinisa
2nd Deputy Provincial Secretary of the SACP, Comrade Mandla Tibane
Provincial Secretary of Cosatu, Comrade Fidel Mlombo
Provincial Secretary of SANCO, Comrade Mike Soko
Representatives of Labour, Business, Civil Society and the Media
Esteemed guests
Beloved People of Mpumalanga

The late Minister of Public Service and Administration, Comrade Collins Chabane shared a profound statement of commitment to the principles of transparency and accountability during the Good Governance Conference hosted by the Public Protector in 2004.

He said “We want to make sure that our limited resources as allocated are used effectively and efficiently to achieve value for money”.

As we approach this Provincial Budget, we fondly remember this gallant liberation fighter for accentuating the view that a true custodian of the public finance management legislation must hold.

In his honour, we must re-commit to his views on fiscal prudence every day, and continue the journey that he started as the first champion of Performance Monitoring and Evaluation systems in our government in 2009.

Madam Speaker

1. The Freedom Charter made a visionary clarion call, 60 years ago, that

Mpumalanga 2015 Budget Speech

“The people shall govern and that no government can justly claim authority unless it is based on the will of all the people.”

2. It is a call that rallies our collective efforts towards building a national democratic society founded on the values of freedom, human dignity and equality. The Freedom Charter is instructive that:
 - *The people shall share in the Country’s wealth!*
 - *There shall be work and security!*
 - *The doors of learning and culture shall be opened, and that*
 - *There shall be houses and comfort!*
3. These ideals of the 1955 real Congress of the People have found expression in the Constitution of the Republic of South Africa.
4. This is the journey the ANC led government has been leading over the last twenty one (21) years.
5. Working together, we have lifted more and more people out of extreme poverty. We have created jobs, expanded social grants, housing and basic services, and improved access to better education and health care. The Policy and Budget Statements of various Departments shall deal with the details of these milestones.
6. Our journey continues.
7. This journey has now reached a second phase in which the focus is the radical socio-economic transformation.
8. This is a mandate that was overwhelmingly confirmed by the people of South Africa through the National Polls in 2014.
9. The 2015/16 Provincial Budget Madam Speaker, can justly claim “authority” because it is based on the will of the people.
10. In addition to the 2014 ANC election Manifesto, this budget has been shaped by various consultations with public institutions in the Province. We canvassed the views of citizens using various platforms including social media.
11. I would like to take a minute of my time to share with this August House some of the comments we have received from the citizens of the Province, even from grassroots membership of the opposition parties, because this budget belongs to all who live in Mpumalanga, irrespective of ideological orientation.

Elzet Senyoko advises that we must “focus on creation of sustainable small businesses which would eradicate poverty”.

Mpumalanga 2015 Budget Speech

***Bongani Phakathi** says government must “focus more on assisting small businesses by relaxing some of the requirements required by our funding institutions so that we can be able to create employment.”*

12. Having registered significant strides in various areas of our work to improve the quality of life of our people, there is no doubt that more work still needs to be done to improve business processes and also to address youth unemployment.
13. Honourable Speaker, each year the provincial budget takes into account some of the binding constraints of the global balance of economic forces.
14. These global economic forces which have a direct bearing on our ability to accelerate inclusive economic growth, deal with constraints such as inflation and interest rates, the rising cost of fuel and food.

ECONOMIC AND FISCAL LANDSCAPE

Global and South African Economic Outlook

Honourable Speaker

15. The global economic growth outlook remains fragile and mixed. The economic prospects in some emerging economies are deteriorating.
16. Similarly, the domestic economic growth outlook is subdued. The Honourable Minister of Finance, Nhlanhla Nene, in his Budget Speech on 25 February 2015, indicated that South Africa’s economy is expected to grow at a rate of 2 per cent this year, rising to 3 per cent in 2017.

Provincial Economic Outlook

17. In line with national growth expectations, Mpumalanga’s economic growth rate has been revised downwards to 1.9 per cent for 2015. The average growth rate for the period 2013 - 2018, is forecasted at 2.2 per cent per annum.
18. According to GDP (Gross Domestic Product) figures of Statistics South Africa, no economic sector in Mpumalanga recorded an average annual growth rate of more than 3 per cent during the 2009 - 2013 period.
19. The mining industry, which is the largest contributor in the provincial economy, has experienced a very low growth rate of less than 1 per cent in the 1995 - 2013 period. This had a negative impact on the overall economic performance of the Province.
20. These are difficult economic and fiscal circumstances in which this budget was prepared.

Mpumalanga 2015 Budget Speech

21. The weak national and provincial economic performance, places public finances in South Africa and Mpumalanga under increasing pressure. The needs of the citizens are unlimited, while the resources at our disposal are limited.
22. Madam Speaker, the Mpumalanga Economic Growth and Development Path, which is aligned to the National Development Plan, has outlined a number of economic interventions to create sustainable job opportunities and respond to the challenges presented by our provincial economic outlook.

Provincial Unemployment and Job Creation

23. The provincial unemployment rate has declined to 26.6 per cent in the fourth quarter of 2014, on a quarterly and annual basis.
24. According to the strict definition of unemployment, 412 thousand people were unemployed in Mpumalanga at the end of the fourth quarter of 2014.
25. As underlined by the 2015 State of the Province Address, almost 74 of every 100 unemployed are young people below the age of 35 years.
26. Mpumalanga experienced net job gains of only 2 659 in the fourth quarter of 2014 and job losses of 10 524 on an annual basis. Mining, utilities and trade, shed the highest number of jobs during 2014.
27. The 2014 ANC Manifesto is instructive that government must work with business and organised labour to protect work opportunities and accelerate skills development over the period ahead to advance the targets set by the National Development Plan and Vision 2030.

Poverty and Inequality

28. Mpumalanga is making significant progress in the fight against poverty. The rate of poverty in the Province declined from 51.1 per cent in 2009 to 36.2 per cent in 2013 as measured by the lower bound poverty line of Statistics South Africa. The number of people living in poverty declined by almost 500 000 since 2009.
29. Honourable Members, by all means, this level of poverty remains unacceptable. What it means is that for every 100 people, 36 are living in poverty.
30. Indicators used to measure the distribution of income (such as the Gini-Coefficient) shows that inequality levels remained the same at a very high level of 0.62 between 2009 and 2013.
31. We agree as a Province that job creation remains the most important way to reduce poverty and inequality in a sustainable way in the long run.

Mpumalanga 2015 Budget Speech

32. The Mpumalanga Provincial Government led by Honourable DD Mabuza, has committed itself to work with our people to address challenges that impede the Province from moving towards the achievement of the ideals set out in the Freedom Charter, the Constitution of the Republic of South Africa, the National Development Plan and Vision 2030 as well as the Mpumalanga Economic Growth and Development Path.
33. As the Honourable Minister of Finance, Nhlanhla Nene, has also advised that the primary focus should be to deal with the structural and competitiveness challenges that hold back production and investment in the South African economy.

PROVINCIAL SPENDING PRIORITIES

34. It is not only the numbers in the budget that will measure the quality of our response to the present challenges, but the quality of our resolve to work together, by putting our people first.
35. In the current medium term expenditure framework there is a clear commitment to effect the strategic shift of public expenditure from consumption to investment in a way that will strengthen and expand the social and economic infrastructure base of the Province.
36. Honourable Speaker, this Provincial budget is consistent with the priorities that are outlined in the 2015 State of the Province Address.
 - 36.1. Through this budget, we will accelerate the social infrastructure rollout programme by focusing on health, education and integrated human settlements;
 - 36.2. High on the agenda of this government will be the development of economic infrastructure, including investment in our road networks, dams, bulk water infrastructure and sanitation;
 - 36.3. The 2015 Provincial Budget makes provision for the appointment of Transactional Advisors to attract and secure private sector investment in broadband infrastructure to enhance connectivity in the Province.
 - 36.4. We will continue with the implementation of the Mpumalanga Fresh Produce Market and Special Economic Zones.
 - 36.5. Madam Speaker, this budget seeks to respond to the nine-point economic plan to ignite growth in the key priority sectors (agriculture, tourism, mining, manufacturing, green economy and ICT) to create the much needed jobs.
 - 36.6. We will intensify our support on rural development focusing on meeting the basic needs of our people, land reform and rural enterprise development. This budget will enhance farmer support programmes, skills development and agri-incubation which will prioritise young farmers.

Mpumalanga 2015 Budget Speech

- 36.7. Building a capable state will be central to the effort of government to effectively implement the National Development Plan and Provincial Vision 2030.
- 36.8. Accordingly, Departments and Public Entities have been instructed to revisit their organograms to ensure that they are fit for purpose. This step should assist the government to build its internal capacity to deliver services.
- 36.9. We cannot afford to have a Department and/or public entity that outsources its entire core business.
- 36.10. The Provincial Government has commenced with the implementation of the Integrated Municipal Support Plan (IMSP) as part of the Back-to-Basics Programme that seeks to build a responsive, caring and accountable local government.
- 36.11. To enhance social cohesion, the government will fund heritage, sports and cultural programmes to promote festivity of all people around the values of the Constitution and to build a united and prosperous nation.
- 36.12. The 2015/16 budget also fund the Integrated Crime Prevention Programmes to take the fight against crime and corruption to those who choose to be against the people's wishes for safe and secure communities.
- 36.13. Education is a backbone of a developmental state. The allocation of the education sector has been stabilised at the required funding norm.
- Zanele Rantho, a learner from Kopanang Secondary School says, *"The government should pay more attention to learners doing Mathematics and Science in the Province as there's a high demand of engineers and artisans in the country"*.
- 36.14. We will indeed continue to improve the quality of basic education with greater support provided to schools in the quintile of the poorest communities.
- 36.15. We will also focus on the learner outcomes in both the foundation and senior phases wherein maths, science and technology will be the focal point.
- 36.16. The Department of Education will be funded to lead and coordinate the establishment of the Provincial Human Resources Council, to enhance the bursary scheme and to train technicians and artisans in partnership with the SETAs and private sector.
- 36.14. As guided by the national norm of 27 per cent of the equitable share, we will continue to strengthen and expand free primary health care, improve the management of public hospitals and intensify the campaign against HIV and AIDS.

Mpumalanga 2015 Budget Speech

We listened to the wise words of Muzi Lindokuhle Ngcobo who advised that we must “*prioritise employment of staff, especially professional categories in health such as nurses, doctors, radiographers, audiologist...*”

We will give attention to the appointment of suitably qualified and experienced health professionals and also renovate and refurbish the health care facilities in the Province.

FINANCIAL GOVERNANCE AND FISCAL MANAGEMENT ISSUES

Accountability and transparency

37. The improvement in the audit outcomes for all public institutions is critical to reinforce public and investors’ confidence in the governance system of the Province. Accordingly, Provincial Treasury will develop financial management and accountability capabilities as part of support to Departments, Public Entities and municipalities.

Supply chain management

38. Honourable Speaker, Supply Chain Management and other business processes are the vital keys to unlock economic participation and redress the socio-economic imbalances in the society.
39. We are committed to build wider transparency and accountability regarding supply chain management and procurement practices in local and provincial government.

Improving the procurement system

40. We have started the process for capturing of all existing suppliers from various Departments using the electronic procurement system. Given the work that has been done, the Department of Finance has requested National Treasury to use our Province as a pilot for their centralised supplier database project.
41. We stand ready to collaborate with the National Treasury to ensure that the Central Tender Portal is introduced successfully.
42. All these initiatives should contribute to improve the business processes and compliance with the requirement for payment of the suppliers within the mandated 30 days upon receipt of invoice.

2015/16 PROVINCIAL BUDGET

Allocation principles and norms

43. Let me outline the key features of the provincial budget:

Mpumalanga 2015 Budget Speech

- 43.1. Spending has been reduced by **R215 million** compared to the 2014/15 baseline. This means, all votes have contributed with the exception of the Provincial Legislature and Departments of Health and Social Development.
- 43.2. In line with 2015 State of the Province pronouncement to keep a lean, professional, accountable, capable and committed workforce, we have reduced the allocation to Compensation of Employees from 60 per cent to 58.3 per cent.

In this regard, an instant moratorium on funded and unfunded vacancies has been introduced in all Departments with the exception of the Provincial Legislature; Department of Health with specific reference for identified categories of posts and school-based posts in the Department of Education.

Abolishing of funded and unfunded vacancies has released **R233 million** which has been directed to other service delivery priorities.

Consequently, vacant posts can only be filled through the process of rationalisation within the administration which is led by the Office of the Premier and Provincial Treasury.

The Executive Council has accepted that all Votes must contribute to the funding of artisans training programme, except for the Provincial Legislature and Department of Health.

- 43.3. Another consideration in this budget is the rescheduling of funds from slow spending programmes which include **R40 million** from Traffic College budget and **R10 million** from the project of building of branch offices of the Department of Social Development.
- 43.4. Madam Speaker, the following functions will be shifted from Provincial to National Government from the 1st of April 2015:
- 43.4.1. Adult Basic Education and Training (ABET) and Technical and Vocational Education and Training (TVET) are now assigned together with their budget of **R192 million** to the Ministry of Higher Education and Training, which is a reduction to our equitable share;
- 43.4.2. Both the function shift of the Port health and a portion of the National Health Laboratory Service that relates to teaching, training and research will further reduce the Equitable Share of the Province by **R46 million**;
- 43.4.3. This budget also confirms the shifting of Provincial Municipal Support function from COGTA to Provincial Treasury.
- 43.4.4. The function shifts of Environmental Affairs and the Office of the Rights of the Child and Status of the Disabled Persons were dealt with in our Adjustment Budget in November last year.

Mpumalanga 2015 Budget Speech

Provincial Equitable Share

44. We have received an Equitable Share of **R31 billion 29 million 509 thousand** for the 2015/16 financial year.
45. The Province also received **R6 billion 850 million 55 thousand** in Conditional Grants for the 2015/16 financial year.
46. This brings the 2015/16 total share for Mpumalanga to **R37 billion 880 million 564 thousand**, before own revenue is added to the baseline of the Provincial Administration.
47. Our Conditional Grants are not growing. We have not been doing well on spending of these Grants. There is a need for the Province to improve planning and spending capacity in this regard.

Own Revenue

48. Honourable Speaker, even after lowering our expenditure ceiling there is more pressure on the provincial fiscus. Our projection from own revenue for this financial year is **R821 million 638 thousand** which takes the overall budget to **R38 billion 702 million 202 thousand**. This is barely enough to meet the limitless demands on the fiscus.
49. Provincial Treasury will therefore lead the process of identification of additional revenue, including the development of a Revenue Enhancement Strategy for the Province.

2015/16 ALLOCATION TO VOTES

50. The tight fiscal environment demands prudence in allocations, efficiencies in the utilisation of resources and slowing down of spending on non-critical activities.
51. We are required to offset the fiscal constraints by improving the efficiency tactics in Provincial Departments, Public Entities and Municipalities. We must leave within our means without compromising service delivery.
52. Departments are expected to be efficient and spend funds in line with the approved Annual Performance Plans which respond to the 2015 State of the Province Address.
53. Madam Speaker, the biggest share of the allocation goes to the social services, namely the Departments of Education, Health and Social Development, to the amount of **R28 billion 145 million 261 thousand** which is inclusive of Conditional Grants (73 per cent). Of these amount 44 per cent goes to Education; Health receives 26 per cent and Social Development takes 3 per cent.

Mpumalanga 2015 Budget Speech

54. The largest share of the budget at **R16.8 billion** is allocated to Education, included in this allocation is **R128 million** for artisans training programme, **R166 million** towards the commencement of the construction of a new boarding school in the Nkangala District as per the commitment made by Premier Honourable DD Mabuza during the SOPA debate on the 6th March 2015 in eMalahleni, and **R202 million** for provision of two thousand and thirteen (2013) sanitation units at schools.
55. Department of Social Development gets **R1.2 billion**, which include an allocation of R27 million for the absorption of social workers graduates and R24.4 million for additional support to the Non-Governmental Organisations (NGOs) sector.
56. Department of Health is allocated **R9.9 billion** of which **R330.9 million** is earmarked for funding of 1571 critical posts with the special focus on the appointment and retention of suitably qualified and experienced health professionals.
57. The rest of the Votes will share the remaining 27 per cent of the total budget as follows:
58. Office of the Premier receives **R237.7 million**. This allocation includes funding for the establishment of a Commission to look at the conditions of the farm dwellers and also the appointment of Transactional Advisors to assist the Province with the rollout out of the Broadband infrastructure.
59. Provincial Legislature is allocated **R294.9 million** to enhance its oversight work.
60. Department of Finance gets **R287.5 million** which include funding towards staff verification in three Votes and development of Revenue Enhancement strategy, amongst others.
61. A budget amounting to **R443.8 million** is set aside for the Department of Co-operative Governance and Traditional Affairs to strengthen support to Municipalities and the Institution of Traditional Leadership.
62. Department of Agriculture, Rural Development, Land and Environmental Affairs is given **R1 billion**, which includes **R82.6 million** to establish and strengthen agricultural cooperatives, while **R102.9 million** is for expanded implementation of Masibuyele emasimini.
63. Department of Economic Development and Tourism is allocated **R743 million** to enhance economic planning, coordination and accelerate the implementation of the Mpumalanga Economic Growth and Development Path.
64. Department of Public Works, Roads and Transport gets **R4.3 billion** to roll out the Provincial infrastructure development programme, of which **R1.2 billion** is for the Provincial roads maintenance.

Mpumalanga 2015 Budget Speech

65. **R1 billion** is provided to the Department of Community Safety, Security and Liaison to complete the construction of Traffic College and ensure that the people of Mpumalanga are safe.
66. **R454.9 million** is for Department of Culture, Sport and Recreation to promote social cohesion through culture, sports and information service to the people of Mpumalanga.
67. Cyril Masilela posted his budget tip on Facebook as follows:

“...Without clean running water there can be no healthy communities. This is a vision that Premier has declared 3 years ago....”

68. To respond to this concern, an allocation of **R1.6 billion** is provided to the Department of Human Settlements, of which **R200 million** is earmarked for internal water reticulation initiatives in municipalities.

Honourable Speaker,

69. Let me extend my humble appreciation to the Honourable Premier for entrusting us with the responsibility to prepare this 2015 budget framework. Thank You Premier for your immense support and guidance.
70. This work would not have been possible without invaluable input of my colleagues in the Budget and Finance and Committee Executive Council,
71. Thanks to the Chairperson and Members of the Portfolio Committee on Premier’s Office, Finance, Economic Development and Tourism for your continued guidance and support.
72. I would like to thank the administrative and leadership provided by the Director-General and Heads of Department during this process.
73. A word of thanks to the Head of Department and officials in the Department of Finance during the preparation of this budget.
74. Lastly but not least, I would like to thank my family and children for standing by me.
75. I wish to end Madam Speaker with inspirational words of wisdom from one of the greatest African Poet Ben Okri

“The most authentic thing about us as Africans is our capacity to create, to overcome, to endure, to transform, to unite and to be greater than our sufferings”.

Mpumalanga 2015 Budget Speech

76. This is indeed very true. We cannot promise an easy road ahead, or quick fix resolutions of the economic and social challenges as comprehensively expressed in the Provincial economic outlook, but we know that the budget choices we've made sets us on an accelerated path of inclusive growth and development.
77. I hereby, on behalf of the Honourable Premier and the Executive Council, table the following documents for consideration by the Honourable Members of Legislature:
- Estimates of Provincial Revenue and Expenditure for 2015/16;
 - Appropriation Bill for 2015/16, and
 - Budget speech for 2015/16.

Together We Move the Province of the Rising Sun Forward.

Ngiyabonga
Siyathokoza